

Comments on “Revisions to the Standardised Approach for Credit Risk,” a Consultative Document of
the Basel Committee on Banking Supervision

March 8, 2016

The Japan Chamber of Commerce and Industry

The Japan Chamber of Commerce and Industry has highly significant concerns regarding the document “Revisions to the Standardised Approach for Credit Risk” released by the Basel Committee on Banking Supervision. We hope that our comments below will be of assistance in discussions on the finalization of the rules at the Basel Committee on Banking Supervision.

1. Impact on small and medium-sized entities (SMEs)

- ◆ The voices of industry side, especially SMEs, in each country should be carefully taken into account. The proposed revisions of the standardized approach will not only impact the management and behavior of financial institutions but also have an immense influence on many different businesses, including SMEs. In order to realize sustainable and inclusive growth of the world economy, we should ensure that lending to SMEs is provided smoothly and stably.

2. Exposures to corporates

- ◆ The majority of Japanese SMEs do not qualify for inclusion in the Committee’s definition of “regulatory retail” (with the criteria including exposure up to the threshold of EUR 1 million), thereby the exposure to such SMEs is categorized as “exposures to corporates.” Therefore, the revisions to the material on “exposures to corporates” will impact SMEs.
- ◆ It is considered reasonable from the perspective of securing SMEs’ lending that the risk weights placed on corporates would not be determined by applying a specific set of risk drivers such as sales in a mechanistic manner.

3. The risk level differs by country

- ◆ The risk level of corporates differs greatly from country to country, and this difference should be reflected in the revision. The default risk of SMEs in Japan is 0.28%, which is much lower than the figures for the other countries. SMEs, in particular, mainly operate within their respective countries. Therefore, it would be reasonable to implement a system that would allow for each country to establish its own standards.
- ◆ In light of the above, it is only reasonable that qualifications for inclusion in “regulatory retail” (EUR 1 million, etc.) be determined in accordance with actual circumstances in different countries.